

## CMBI Credit Commentary

### Fixed Income Daily Market Update 固定收益部市场日报

- *Asian IG space was stable with light flows this morning. LGFVs and developers were under better buying post new supportive policies. New YTGFH'27 rose c0.2pt. VNKRLs rebounded 0.8-1pt.*
- **MoF Press conference:** *LGFVs and big banks directly benefitted. Eye on the NPC standing committee meeting for the size and timetable of fiscal support at the end of Oct. See below for comments.*
- **China Economy** - *Deflation pressure remains. CMBI estimates China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -2% in 2024 and 1.2% and 1% in 2025. See below for comments from CMBI economic research.*

#### ❖ Trading desk comments 交易台市场观点

Last Thursday, HAOHUA/TENCNT 30s were 1-3bps tighter. MEITUAWB 30s tightened 2-5bps. In financials, GTJAs/HAISECs/HTISECs/UNFILES closed unchanged to 2bps tighter. See our comments on [10 Oct '24](#). BLCMHK Float 27/BACR Float '28/WSTP Float '29 were unchanged to 2bps tighter. BNKEA/NANYAN/DAHSIN T2s were 1-3bps tighter. ANZ/CBAAU/NAB/WSTP T2s tightened 2-6bps under PB/AM buying. NSINTW/CATLIF 34s were 2-3bps tighter. FWDGHD 31/33 tightened 5-10bps. In AT1s, the recent new ACAFP/NDAFH/LLOYDS/HSBC/INTNED Perps were 0.1-0.2pt higher. JP/AU insurance hybrids were under better selling from RMs. NIPLIFs/SUMILFs/QBEAUs were 0.1-0.3pt lower. In HK, CKHH 27-34s were 1-3bps tighter. NWDEVL Perps/27-31s were 0.3-1.2pts higher. CKINF Perps were 0.3-0.5pt lower. In Chinese properties, FTLNHD/FUTLAN 25/26, SHUION 25/26 and VNKRL 27/29 were 0.5-1.1pts higher. LNGFORs/DALWANs/ROADKGs were up 0.3-0.6pt. CHIOLIs/CRHZCHs were up 0.2pt. Outside properties, HILOHO '24 rose 0.4pt, WESCHI '26 lowered 0.5pt. Away from China, GLPSP 4.6 Perp declined 0.7pt. In India, Adani Enterprises raised USD500mn through a qualified institutional placement (QIP) of shares, skipped a greenshoe option for an equal amount. Adani complex bonds closed unchanged.

In LGFVs, YTGFH priced a USD270mn 3-yr bond (keepwell provided by Yantai Guofeng Investment) at par to yield 5.6%. SHFTIN priced a CNH3bn 3-yr sustainable bond at par to yield 2.7%. CNH LGFVs remained better offered. The USD LGFVs such as CDCOMM '27/NJYZSO '27/SDEXPR '26 were 0.2pt higher. QDJZWDs/HKIQLs were up 0.1-0.2pt. CPDEVs closed unchanged post the call on its CPDEV 5.75 Perp. CNSHAN/GEZHOU Perps were under some selling and closed unchanged to 0.1pt lower. Meanwhile CCBINT Perp was up 0.1pt, COFCHK/SPICPT Perps were down 0.1pt. CWAHK '26 was 0.4pt higher..

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## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NWDEVL 4 1/8 PERP	63.2	1.2	GLPSP 4.6 PERP	66.5	-0.7
FTLNHD 4 1/2 05/02/26	72.3	1.2	PERTIJ 6.45 05/30/44	108.7	-0.6
SHUION 5 1/2 06/29/26	82.6	1.0	CKINF 4 PERP	75.0	-0.5
NWDEVL 5 1/4 PERP	82.9	1.0	PLNIJ 6 1/4 01/25/49	103.9	-0.5
NWDEVL 4.8 PERP	43.8	1.0	WESCHI 4.95 07/08/26	77.0	-0.5

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.61%), Dow (+0.97%) and Nasdaq (+0.33%) rallied higher on last Friday. China Sep'24 CPI/PPI was +0.4%/-2.8% yoy, lower than the expectation of +0.6%/-2.5% yoy. UST yields retreated on last Friday, 2/5/10/30 yield reached 3.95%/3.88%/4.08%/4.39%.

## ❖ Desk Analyst Comments 分析员市场观点

➤ **MoF Press conference: LGFVs and big banks directly benefitted. Eye on the NPC standing committee meeting**

The MoF press conference last Saturday emphasized the upcoming monetary policies on four key areas: (i) increase the debt ceiling to help the local government to finance their hidden debts; (ii) issue special bonds to replenish the CET1 capital of the major state-owned banks; (iii) Allow local government to issue special bonds to purchase idle lands from developers and unsold homes as affordable housing; (iv) support the underprivileged with subsidies. To us, the key takeaways from the press conference are one-off limit in debt swap for LGFVs and allowing the proceeds from local government specific bonds to be used to address excessive inventory of the property sector. In our opinions, these are the right moves to stem fiscal position of local governments, as well public and private spending from spiraling downward.

There was no concrete detail such as the size of the support and further measure on consumption was announced. Nonetheless, we consider addressing the weak fiscal positions of local governments is a crucial step in stimulating public and private consumption, taking cues from news on overdue payables, pay cut/delay for public servants, etc. These have been adversely public spending and confidence of private consumption over the past years. We expect more details of fiscal support to be revealed in the NPC Standing Committee meeting at the end of this month, along with more guidance on the consumption stimulus. Besides, the central government is also considering other countercyclical measures and the deficit ratio may exceed 3% in 2025.

As we have been arguing, we see a larger room for policy support from the Chinese government after the US rate cut. The concerns on further RMB depreciation and capital outflow resulting from easing in China will notably be alleviated under a falling US interest rate environment. In our view, the moves so far from the Chinese government to address negative wealth effect and deflationary pressure are right and crucial steps to stabilize the economy. Recalled that PBOC, NFRA and CSRC announced economic stimulus packages on [24 Sep'24](#); home purchase restrictions in all Tier-1 cities were relaxed on [30 Sep'24](#); and the NDRC held a briefing on [8 Oct'24](#).

➤ **China Economy - Deflation pressure remains**

Sep CPI notably weakened due to the moderation of food price and sharp decrease of energy price. Core CPI growth is approaching a historic low as an indication of subdued consumer demand and oversupply pressure. Service price further declined while durable goods remained soft. PPI further plunged dragged by midstream

and upstream industries especially energy products. The recent policy moves indicate China's policy shift from conservative easing to strong loosening as the policymakers focus on stabilizing the property market, boosting the stock market, rescuing local fiscal system and strengthening the banking system. However, the consumption stimulus policy is still limited. The policy focus needs to gradually shift to boosting consumption and defying deflation. To revive and reflate the economy, additional policies are needed, including fiscal transfers to households, excess capacity reduction and market-oriented reforms. We expect deflation pressure might last into next year. We estimate China's CPI and PPI growth rates may rise from 0.2% and -3% in 2023 to 0.5% and -2% in 2024 and 1.2% and 1% in 2025.

**CPI came in short of expectation as deflation pressure persisted.** CPI YoY growth dropped to 0.4% in Sep from 0.6% in Aug, below market expectation of 0.7%. In sequential terms, CPI notably decreased to 0% from 0.4% in Aug, indicating the intensifying deflation pressure. Food price moderated to 0.8% MoM after notably surging 3.4% in Aug as the shortage of supply due to extreme weather eased. Vegetable and meat price slowed down to 4.3% and 0.4% MoM after rising 18.1% and 3.6% in Aug. Pork prices notably moderated to 0.4% MoM growth in Sep compared to 7.3% in Aug while seafood dropped by 0.5% as the start of the fishing season has increased supply. According to high-frequency data, price of agricultural products and vegetables continued to slow down in early Oct, while pork wholesale price MoM has declined for two consecutive months. Vehicle fuel price further dropped from -2.7% YoY to -7.6% while its MoM growth dipped 2.8% in Sep after declining 2.9%, due to falling crude oil price.

**Core CPI growth is approaching a historic low due to subdued demand and oversupply.** Core inflation has dropped to its lowest level in history at 0.1%, except for Jan-Feb 2021. MoM growth dropped 0.1% in Sep after decreasing 0.2% in Aug. Service price continued to decline by 0.3% after dropping 0.1% in Aug. Tourism price notably dropped 6.3% while telecom, express, medical and home service remained unchanged. Housing rent dropped 0.1%, indicating the weak employment conditions while education service rose by 0.9% due to back-to-school season but still weaker than historic seasonality. Durable goods prices marginally rebounded but remained subdued as vehicle price bounced up to -0.1% in Sep following a 0.3% dip. The decline in telecom and home equipment price narrowed to 0.6% and 0.2% MoM after plunging 0.8% and 0.7% in Aug. Discretionary goods including clothing and footwear saw 0.8% and 0.6% MoM increase after dropping 0.2% and 0.3%. Looking forward, CPI may remain in the low range under 1% as food and energy prices continue to drop. Core CPI growth may pick up in Oct due to national holidays but may remain restrained in medium term due to lethargic consumer demand amid weak employment conditions and oversupplying in consumer goods.

**PPI markedly plunged dragged by midstream and upstream industries.** YoY contraction of PPI dipped to -2.8% in Sep after dropping 1.8% in Aug, slightly below market expectation at -2.5%. The MoM growth declined by 0.6% in Sep compared to -0.7% drop in Aug. For mining industries, PPI of coal mining, oil & gas, and ferrous metals notably dropped to -2.6%, -10.1% and -11.1% from -0.1%, -3.3% and -8% YoY in Aug, while non-ferrous metals moderated to 5.9% from 7.6%. For mid-stream industries, PPI in intermediate goods such as ferrous metals, chemical products, non-metallic mineral products and metal products dropped 3.3%, 1%, 0.8% and 0.6% MoM respectively. For final goods, auto manufacturing saw another 0.2% MoM decline while PCs dipped by 0.1%. As we expected, PPI has widened its YoY decline and may continue to do so in the next few months before gradually improving again from late 2024. CRB commodities index has rebounded since mid-Sep, as major economies have all entered an easing cycle.

**China needs to shift its policy focus to boosting consumption and defying deflation.** The recent policy moves indicate China's policy is shifting from conservative easing to strong loosening. The policymakers focus on stabilizing the property market, boosting the stock market, relieving local fiscal distress and strengthening the banking system. To revive and reflate the economy, China needs to gradually shift its policy focus to boosting consumption and defying deflation. Additional policies are needed, including large-scale fiscal transfers to households to boost consumer demand, effective excess capacity reduction to relieve deflation and market-oriented reforms to restore animal spirit in the economy.

Click [here](#) for full report

### ➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

### ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
China Huadian Corp	USD	-	PNC3	-	A3/-/-
Korea Land & Housing Corp	USD	-	2/3yr	-	-/-/-
Power Construction Corp of China	USD	-	PNC5	-	-/-/BBB

### ➤ News and market color

- Regarding onshore primary issuances, there were 10 credit bonds issued on last Saturday with an amount of RMB6bn. As for month-to-date, 190 credit bonds were issued with a total amount of RMB177bn raised, representing a 27.1% yoy decrease
- [ADSEZ]** Adani Ports and Special Economic Zone completed purchase of 95% stake in Gopalpur Port
- [HUADIA]** China Huadian Corp announced USD2bn MTN, perpetual securities programme
- [LASUDE]** Lai Sun Development warned of wider loss of HKD3.49bn-3.86bn in FY24, compared with HKD2.97bn loss in FY23
- [VEDLN]** Vedanta Ltd board cancelled 16 Oct'24 record date for any fourth interim dividend for FY25

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